

Message Text

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PAGE 01 BRUSSE 12600 271453Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7514
INFO USMISSION GENEVA

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USEEC

GENEVA FOR USMTN

E.O. 11652: N/A
TAGS: ETRD, EEC
SUBJECT: CHICKEN WAR AND LIGHT TRUCK DUTIES

REF: STATE 147206 (NOTAL)

1. A GROUP REPRESENTING THE AMERICAN IMPORTED AUTOMOBILE DEALERS ASSOCIATION, INCLUDING JACK ANDREWS AND ROBERT MC ELWAINE, CALLED ON DCM JUNE 27 TO REPORT ON CONVERSATIONS WITH COMMISSION AND VOLKSWAGEN PREVIOUS DAY. THEY REPORTED THAT COMMISSION OFFICIALS HAD INFORMED THEM OF POSSIBILITY OF NEGOTIATING AT LEAST PARTIAL END OF CHICKEN WAR AS REGARDS LIFTING OF U.S. PENALTY DUTIES ON BRANDY, DEXTRIN, AND POTATO STARCH. HOWEVER, TO DATE, EC HAD NOT INDICATED INTEREST IN REMOVAL OF PENALTY DUTY ON LIGHT TRUCKS.

2. DEALERS GROUP HAD TRIED TO STIMULATE INTEREST BY
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PAGE 02 BRUSSE 12600 271453Z

VOLKSWAGEN IN URGING BOTH FRG AND COMMISSION TO INCLUDE REQUEST ON LIGHT TRUCKS IN THESE NEGOTIATIONS. DEALERS ESTIMATE THAT VOLKSWAGEN COULD SELL UP TO 50,000 UNITS PER YEAR IF PENALTY DUTY REMOVED. SALES WOULD COME EITHER AT EXPENSE OF JAPANESE (WHO NOW DOMINATE U.S. MARKET) OR THROUGH CREATION OF NEW MARKET FOR VW VANS, BUT NOT AT EXPENSE OF DOMESTIC PRODUCERS WHO DO NOT MAKE TRUCKS OF

THIS KIND.

3. GROUP REPORTED REVIVED INTEREST FROM COMMISSION OFFICIALS IN LOOKING INTO THIS POSSIBILITY. VOLKSWAGEN'S INTEREST WAS LESS BUT NEVERTHELESS POSITIVE. VOLKSWAGEN OFFICIALS REPORTED THAT THEY HAD RECENTLY DISCUSSED POSSIBILITY WITH ECONOMICS MINISTER LAMBSDORFF, WHO TOLD THEM THAT HE WAS NOT PREPARED TO ARGUE WITH AGRICULTURAL MINISTER ERTL FOR ADDITIONAL CONCESSIONS IN POULTRY IN ORDER TO GET THIS CONCESSION. MC ELWAINE HAS APPOINTMENT TO SEE DAVIGNON TOMORROW AND HAS PROMISED TO LET US KNOW RESULTS.

4. DEALERS GROUP HOPES THAT THEY HAVE STIMULATED SUFFICIENT INTEREST IN COMMISSION SO THAT COMMISSION WOULD ASK U.S. WHAT ADDITIONAL MOVES U.S. REQUIRES ON POULTRY IN ORDER TO GET PENALTY DUTIES ON LIGHT TRUCKS RESCINDED. THEY HOPED THAT U.S. NEGOTIATORS WOULD BE IN A POSITION TO RESPOND TO SUCH AN INDICATION OF INTEREST WITH SPECIFIC PROPOSALS SHOULD THEY BE MADE WITHIN THE NEXT FEW DAYS.

5. DCM SAID THAT WE WOULD, OF COURSE, LIKE TO NEGOTIATE AN END TO THE CHICKEN WAR DURING MTN BUT THAT HE PERSONALLY THOUGHT PRICE U.S. WOULD REQUIRE FOR REMOVAL OF LIGHT TRUCK DUTIES WOULD LIKELY BE SUBSTANTIALLY LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 12600 271453Z

GREATER THAN WHAT WE HAVE PRESUMABLY BEEN DISCUSSING WITH COMMISSION UP TO NOW AND PROBABLY MORE THAN COMMISSION AND/OR MEMBER STATE AGRICULTURAL MINISTERS WOULD BE PREPARED TO PAY. GROUP PLANS TO SEE AMBASSADOR MCDONALD IN GENEVA TOMORROW AND WILL PROBABLY MAKE ESSENTIALLY THE SAME PITCH.

6. COMMENT: WHILE MISSION THINKS IT UNLIKELY THAT COMMUNITY WOULD BE PREPARED TO GO MUCH FARTHER ON POULTRY CONCESSIONS TO U.S., WE BELIEVE WE OUGHT TO BE READY TO RESPOND IF COMMISSION DOES ASK OUR PRICE FOR REMOVING PENALTY DUTIES ON LIGHT TRUCKS. WE THEREFORE URGE THAT ANALYSIS OF U.S. INTERESTS BE PREPARED ASAP AGAINST THIS POSSIBILITY. HINTON

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